

Campbell Proposes House Bill to Lower Cost of Earthquake Insurance
Congressman John Campbell (R-CA) Introduces H.R. 3125, Earthquake Insurance Affordability Act (EIAA)

Washington, DC – Today, Congressman John Campbell (R-CA) introduced legislation to help ensure future affordability of earthquake insurance for homeowners across the nation. H.R. 3125, The Earthquake Insurance Affordability Act (EIAA) is the House companion bill to S. 637, legislation of the same name introduced by Senator Dianne Feinstein (D-CA) earlier this year in the Senate. The California legislators have proposed a structure that would pave the way for lower, more competitive premiums for earthquake protection in order to create greater access for current and future homeowners.

Recent severe earthquakes have underscored the need for California and its homeowners to be financially prepared, as the state has two-thirds of the earthquake risk faced by America. However, the threat of this natural disaster is not limited to just California. As evidenced by the quake that shook Washington, DC and many cities along the East Coast in August, millions of Americans could be impacted by an earthquake at any given time.

The EIAA would allow well-capitalized state catastrophe insurance programs to lower costs by allowing the federal government to guarantee bonds issued by these institutions, in lieu of purchasing reinsurance, which currently accounts for at least 40% of costs. For example, if enacted, the EIAA would save the California Earthquake Authority (CEA) an estimated \$100 million per year and allow it to lower its rates by 20%, expanding earthquake insurance coverage across the state. Additionally, this legislation protects the taxpayer as insurers would pay the U.S. Government for its guarantee, and the fee could be adjusted upward after a major disaster.

“We cannot avoid natural disasters, but we can plan ahead and take action now to protect against the inevitable. In the past, the federal government has had to deploy vast financial resources in the wake of a major disaster,” said Congressman John Campbell upon introduction of the House version of the EIAA.

“This bill will help limit this need in the future by both making earthquake insurance a feasible option for all homeowners and setting up a system in which investors perform a role traditionally filled by the government. Expenses to federal, state, and local governments would be mitigated with increased earthquake coverage at no cost to the

taxpayer.”

Senator Dianne Feinstein (D-Calif.), author of the Earthquake Insurance Affordability Act in the Senate, said, “Californians are starkly aware that there is a 99.7 percent chance of a major earthquake in our state in the next 30 years. We can’t prevent the next earthquake, but we can get prepared to rebuild. For many homeowners the cost of earthquake insurance is simply too high. I am pleased to work with Congressman Campbell to enact this bipartisan legislation to make earthquake coverage more affordable and enable homeowners to get back on their feet in the event of a significant earthquake in California.”

The EIAA was introduced with the strong support of a coalition of business associations, advocacy groups, and emergency response organizations, including the California Taxpayers Association (CalTax), the California Building Industry Association (CBIA), the California State Association of Counties (CSAC), the American Red Cross, and the Automobile Club of Southern California.

Reps. Jerry Lewis (R-CA) and Ken Calvert (R-CA) are listed as original cosponsors of H.R. 3125.

H.R. 3125 currently awaits consideration in the House Committee on Financial Services. Both California lawmakers are hopeful that the EIAA will be given a hearing as soon as possible.

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